

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

USAA Casualty Insurance Company
Authority # 25968-21-707

USAA General Indemnity Company
Authority # 18600-21-708

United Services Automobile Association
Authority # 25941-21-709

Garrison Property and Casualty Insurance Company
Authority # 21253-21-710

9800 Fredericksburg Road
San Antonio, TX 78288

As of

December 31, 2020

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF THE

USAA Casualty Insurance Company
USAA General Indemnity Company
United Services Automobile Association
Garrison Property and Casualty Insurance Company

AS OF

December 31, 2020

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28 day of July, 2022.


Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2020 on

USAA Casualty Insurance Company
USAA General Indemnity Company
United Services Automobile Association
Garrison Property and Casualty Insurance Company

is a true and correct copy of the document filed with this Department.

Attest By: _____



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 28 day of July, 2022.

Trinidad Navarro
Insurance Commissioner

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Numbers 25968-21-707, 18600-21-708, 25941-21-709 and 21253-21-710 and pursuant to statutory provisions including 18 *Del C.* §§ 318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

USAA Casualty Insurance Company – NAIC # 25968
USAA General Indemnity Company – NAIC # 18600
United Services Automobile Association – NAIC # 25941
Garrison Property and Casualty Insurance Company – # NAIC 21253

The examination was performed as of December 31, 2020.

The examination was conducted off-site, performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

USAA Casualty Insurance Company (CIC), USAA General Indemnity Company (GIC), United Services Automobile Association (USAA) and Garrison Property and Casualty Insurance Company (GAR), herein after referred to as the USAA Companies, or Companies, are multi-line property and casualty insurance companies. The USAA Companies reported total direct premiums written in 2020 for all states of \$24,621,245,719, of which Delaware has a market share of \$125,669,485 or approximately 0.51%.

The examination was a targeted review of the Company's Private Passenger Automobile and Homeowners book of business in the following areas of operation: Company Operations and Management, Complaint Handling, Policyholder Services, Underwriting and Rating, and Claims. The examination period was January 1, 2018, through December 31, 2020.

The report encompasses four USAA Companies and throughout the report. When an exception is noted that pertains to a specific company, the company will be named. If the exception pertains to all four companies, either USAA Companies or the Companies will be noted. If no company is mentioned, then there were no exceptions found.

The following exceptions were noted in the areas of operation reviewed:

6 Exceptions - 18 Del. C. § 3904(b)(1) and (b)(2) Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.

(b) (1) Insureds protected by a policy covering 2 or more persons in a family or household shall not be subject to cancellation or nonrenewal because of the wrongdoing or fault of another insured under the policy;

(2) In the event 1 or more of the insureds under such policy is subject to cancellation or nonrenewal, such insured shall be excluded pursuant to the terms of § 3909 of this title;

And

18 Del. C. § 3909(b) Automobile insurance; exclusion, cancellation or nonrenewal.

(b) In any case where an insurer is authorized under this chapter to cancel or nonrenew any automobile policy under which more than 1 person is insured because of the record of 1 or more, but less than all of the persons insured under the policy, the insurer shall, in lieu of cancellation or nonrenewal, offer to continue or renew the insurance, but to exclude from coverage, by name, the person or persons whose record would have justified the cancellation or nonrenewal. The premiums charged on any such policy excluding a named driver or drivers shall not reflect the claims, experience or driving record of the excluded named driver or drivers.

GIC failed to offer a policy to the other insured on five PPA policies while USAA did so once.

1 Exception - 18 Del. C. § 3904(a) Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.

(a) No notice of cancellation of a policy shall be effective and the insurer shall not refuse renewal or threaten to refuse renewal of a policy unless based on 1 or more of the following reasons:

And

18 Del. C. § 3905(c) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons

(c) The mailing of the notice of cancellation, or of intention not to renew, to the named insured at his or her last address of record with the insurer, shall be by certified mail or by USPS Intelligent Mail barcode (IMb). Proof of mailing of such notice shall be retained by the insurer for a period of not less than 1 year. This subsection shall not apply in case of nonpayment of premium.

GIC did not send a non-renewal letter nor did they have a proof of mailing.

44 Exceptions – Forms and Rates Bulletin No. 39 - RE: Notice of Change in Department Address and Instructions on Updating Forms

The purpose of this bulletin is to notify all insurance carriers that as of July 17, 2019, the Department of Insurance will be moving from its current Silver Lake Office to 1351 West North St., Suite 101, Dover, DE 19904.

Carriers will need to update all of their forms currently in use that reference the Department's Silver Lake office address as follows:

- Carriers are not required to re-file forms currently in use solely for purposes of reflecting the Department's new address.*
- Carriers should ensure that all forms currently in use are promptly updated so that consumers are directed to the new address.*
- At such time as a carrier makes a substantive change to a form currently in use that requires re-filing with the Department, the form filing should reflect the Department's new address.*

20 GIC, 11 USAA, 10 CIC and three GAR Homeowners non-renewal notices did not have the correct address for the Department of Insurance, as required under Bulletin No. 39, effective July 17, 2019.

6 Exceptions - 18 Del. C. § 4122 (b) Notification and reasons for declination or termination.

(b) A notice of cancellation of property insurance coverage by an insurer shall be in writing, shall be delivered to the named insured or mailed to the named insured at the last known address of the named insured, shall state the effective date of the cancellation and shall be accompanied by a written explanation of the specific reasons for the cancellation. Proof of mailing of such cancellation notice shall be retained by the insurer for a period of not less than 1 year.

GIC could not provide one Homeowners cancellation notice's Proof of Mailings. USAA could not provide two Proof of Mailings and for one of them, a cancellation notice could not be provided. GAR could not provide three cancellation notices.

6 Exceptions - 18 Del. C. § 4122 (c) Notification and reasons for declination or termination.

(c) At least 30 days before the end of a policy period, as described in § 4121(a) of this title, an insurer shall deliver or mail to the named insured, at the last known address of the named insured, either of the following:

(1) Written notice of the insurer's offer to renew the policy if the applicable premium for the policy is received within a specified billing period; or

(2) Written notice of the insurer's intention not to renew the policy upon expiration of the current policy period. The notice of intention not to renew shall include or be accompanied by a written explanation of the insurer's specific reason or reasons for the nonrenewal.

Proof of mailing of either notice shall be retained by the insurer for a period of not less than 1 year. If the insurer fails to comply with either paragraph (c)(1) or (2) of this section, coverage shall be deemed renewed under the same terms and conditions until the named insured has accepted replacement coverage with another insurer or until the named insured has agreed to the nonrenewal.

GIC did not mail one Homeowners non-renewal notice and could not provide two Proof of Mailings. USAA could not provide one Proof of Mailing and one non-renewal did not show a specific reason for the non-renewal. GAR could not provide one non-renewal notice Proof of Mailing.

2 Exceptions – Domestic/Foreign Insurers Bulletin 21-Revised

(a) A prominent notification that the policyholder should immediately begin seeking alternative property insurance from a licensed Delaware insurance agent if the policyholder intends to avoid a lapse in coverage, and

(b) A prominent notification that the policyholder may be entitled to purchase insurance from the state's industry placement facility program (the FAIR Plan).

The notification required by this paragraph shall contain the name and contact information for the state's industry placement facility program, and shall be in at least 18-point type. Including the website address.

One GIC and one USAA Homeowners termination notices were missing the FAIR Plan notice, were not in 18-point type or failed to advise the insured to contact his agent

4 Exception - 18 Del. C. § 2712 Filing, approval of forms

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

The Companies did not file for the use of the applications for Homeowner, Condominium, and Townhome lines of business.

26 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

1.2.1.5 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

GIC failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in 10 PPA claims. GIC was also unable to locate and provide the settlement letter for one HO claim and did not promptly respond to two HO claims. USAA did so in 11 PPA claims and one HO claim. GAR was unable to locate and provide the settlement letter for one HO claim.

15 Exceptions - 18 Del. C. § 2304 (16) f. Unfair claim settlement practices

(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

f. Not attempting in good faith to effectuate prompt, fair and equitable settlements of claims in which liability has become reasonably clear.

USAA denied four PPA claims based on lack of information from the insured. GIC also used lack of information in three PPA claims, CIC in three PPA claims and GAR in two PPA claims. Such a reason is prohibited by Auto Bulletin No. 24.

USAA erroneously set up a PPA claim under Collision Coverage with a \$200 deductible instead of Comprehensive with its \$50 deductible. The letter to the insured said the claim was less than the \$200 Collision deductible so there would be no payment. However, the correct deductible was \$50 Comprehensive deductible, so a payment should have been made.

GIC failed to investigate a PPA claim properly and closed it prematurely.

GAR failed to communicate with the insured between 10/15/18 and 1/9/19 (86 days) when the insured contacted the Company about his total loss PPA claim. GAR also failed to advise the insured of a rejected Power of Attorney (POA) for that claim.

2 Exceptions - 18 Del. Code §2304 (16) n. Unfair claim settlement practices

(16) Unfair claim settlement practices. — No person shall commit or perform with such frequency as to indicate a general business practice any of the following:

n. Failing to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of a claim or for the offer of a compromise settlement.

One GIC claim did not have a copy of the denial notice or evidence that the Homeowner claimant was told of the denial. One GAR claim failed to advise the PPA claimant or the person presenting the claim in writing of the disposition or to provide a denial notice.

1 Exception - 18 Del. Admin. Code § 902 1.2.1.1 Prohibited Unfair Claim Settlement Practices
1.2.1.1 Misrepresenting pertinent facts or insurance policy provisions relating to coverage at issue.

GAR properly denied this Homeowner claim since the personal property was damaged by the moving company. The insured also stated an item was stolen. The Company did not advise the insured that there was coverage for theft up to \$1,000 under Coverage C, property covered anywhere in the world in transit. The Company advised they would contact the insured to determine the value of the personal items that were stolen.

1 Exception- 18 Del. Admin. Code § 902 1.2.1.6 Prohibited Unfair Claim Settlement Practices
1.2.1.6 Failing to affirm or deny coverage or a claim or advise the person presenting the claim, in writing, or other proper legal manner, of the reason for the inability to do so, within 30 days after proof of loss statements have been received by the insurer.

CIC failed to properly investigate coverage for damages to the insured's basement and personal property in a water/sewer back-up claim.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 Del. C. §§ 318 – 322 and covered the examination period of January 1, 2018, through December 31, 2020. The purpose of the examination was to determine compliance by the Companies with applicable Delaware laws and regulations

The scope of the examination includes, but is not limited to, the Companies practices and procedures relating to Company Operations and Management, Complaint Handling, Policyholder Services, Underwriting and Rating, and Claims. The focus of the examination is on the Companies Private Passenger Auto and Homeowner lines of business.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While the examiners' report on the errors found in individual files, the examination also focuses on general business practices of the Companies.

The Companies identified the universe of files for each segment of the review. Based on the size of the universe, random sampling was primarily utilized to select files reviewed during this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Companies' activity that does not comply with an insurance statute or regulation. Exceptions contained in the report may result in imposition of penalties. Generally, practices, procedures or files reviewed by Department examiners during the course of an examination may not be referred to in the Report if

no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables management to review these areas of concern in order to determine the potential impact upon their operations or future compliance. Throughout the course of the examination, company officials were provided status memorandum, which referenced specific complaint, policy and/or claim numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. Written summaries were provided to the Company on exceptions found. An exit conference was conducted with Companies' officials to discuss various types of exceptions identified during the examination and to review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

USAA was founded by the military, for the military. In 1922, 25 Army officers came together with the goal of insuring one another's vehicles when no other insurance company would. These military officers and their military lifestyle were seen as too risky. So, together, they founded USAA.

United Services Automobile Association

United Services Automobile Association (USAA) was organized and began business on June 20, 1922 as United States Army Automobile Insurance Association. The present name was adopted in 1924. USAA is a Texas domestic reciprocal inter-insurance exchange. USAA is licensed in all states, District of Columbia, the U.S. Virgin Islands, Guam and Puerto Rico.

USAA Casualty Insurance Company

USAA Casualty Insurance Company (USAA CIC) was incorporated on September 6, 1968, under the laws of Texas and began business on December 1, 1969. USAA CIC operated under the name United States Casualty Insurance Company until December 2, 1970, when the present name was adopted. Effective December 31, 1990, USAA CIC merged with the newly formed USAA Casualty Insurance Company of Florida and re-domesticated from San Antonio, Texas to Tampa, Florida. Subsequently, on January 31, 2000, USAA CIC re-domesticated from Tampa, Florida to San Antonio, Texas. USAA CIC is a wholly-owned subsidiary of USAA. USAA CIC is licensed in all states, the District of Columbia and the U.S. Virgin Islands.

USAA General Indemnity Company

USAA General Indemnity Company (USAA GIC) was incorporated on June 23, 1972, under the laws of Texas and began business on August 2, 1972. USAA GIC is a wholly owned subsidiary of USAA. USAA GIC is licensed in all states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico.

Garrison Property and Casualty Insurance Company

Garrison Property and Casualty Insurance Company (Garrison) was originally chartered in Missouri on December 1, 1900, as Brewers' Exchange, a reciprocal inter-insurance exchange, and was renamed Reciprocal Exchange in 1905. USAA acquired control of Reciprocal Exchange on December 31, 1997. Garrison re-domesticated to Texas and the name was changed to Garrison Property and Casualty Insurance Association on December 21, 1998. On November 1, 2003,

Garrison Property and Casualty Insurance Association was converted to a stock insurance company and the name was changed to Garrison Property and Casualty Insurance Company. Garrison is a wholly owned subsidiary of USAA. Garrison is currently licensed in all states and the District of Columbia.

COMPANY OPERATIONS AND MANAGEMENT

The Company was asked to provide:

1. A written overview of the Companies history and profile.
2. A written overview of the Companies operations including management structure, type of carrier, states where they are licensed and the major lines of business they write. If a regional office handles any portion of the Delaware business, please include that information in the overview.
3. A list of all audits conducted within the last three (3) years. Audits include those completed by an internal audit function within the Company or conducted via a contracted vendor on behalf of the Companies. Provide documentation that all internal or external audits are up to date.
4. A copy of the Companies Anti-Fraud Procedures and the processes for Anti-Fraud tracking, reporting and oversight.
5. Identify the individual(s) accountable for the Companies Special Investigation Unit (SIU) or comparable area and include an organizational chart showing the staff of the SIU or comparable area.
6. A list of all Fraud reported to a regulatory agency during the examination period.
7. A list of all data reported to the National Insurance Crime Bureau (NICB) or other similar database.
8. A list of all SIU cases investigated during the examination period.
9. Board of Director agendas, minutes and attachments for all meetings held during the examination period.
10. Copies of the annual statements for the prior three (3) years and any related schedules or statements

No exceptions or issues were noted in what was provided. However, it was observed that there were no audits performed during the examination period on Delaware specific activities and functions. It is recommended that the Companies establish an internal audit program specific to Delaware operations.

COMPLAINT HANDLING

The Companies were asked to provide a list of all complaints filed with them during the examination period of January 1, 2018, through December 31, 2020. The Companies were asked to include complaints received from the Delaware Department of Insurance, as well as complaints made directly to the Company on behalf of Delaware consumers. The following are populations and samples reviewed for each.

Company Name	Population	Sample
USAA Casualty Insurance Company	33	33
USAA General Indemnity Company	80	80
United Services Automobile Association	56	56
Garrison P & C Insurance Company	47	47
Total	216	216

The 216 complaints were reviewed for compliance with applicable Delaware Statutes and Regulations pertaining to complaints, including, but not limited to, 18 *Del. C.* § 2304 (17), Delaware Department of Insurance Bulletins, and the NAIC Market Regulation Handbook Standards in Chapter 16. Complaint files involving Claims were reviewed for compliance with 18 *Del. C.* § 2304 (26) and 18 *Del. Admin. Code* § 902 1.2.1.2.

Also required in 18 *Del. C.* § 2304 (17) is maintenance of a complete record of all complaints received, since the date of its last examination by the Delaware Department of Insurance. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. The Companies certified that they have the records for the time period since the last examination. The Company also provided their Complaint Handling Guidelines and Procedures.

No exceptions were noted.

POLICYHOLDER SERVICES

The Companies were asked to:

1. Describe the process for policy issuance, insured requested terminations, premium notices, billing notices policy transactions and responding to policyholder correspondence (not just Complaints), especially those pertaining to claims history and loss information.
2. Provide a copy of the procedures for handling the unearned premium calculation and refund.

Processes and procedures were provided and reviewed. No issues were noted.

UNDERWRITING AND RATING

The examination of Underwriting and Rating was conducted to assess the Companies' compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market

Regulation Handbook Standards in Chapters 16 & 17. The Companies provided a listing of all new, renewal and terminated Private Passenger Automobile and Homeowners policies issued during the examination period of January 1, 2018, through December 31, 2020, along with relevant copies of all Private Passenger Automobile and Homeowners underwriting and rating manuals and forms, notices and disclosures in use. The Companies allowed remote access to their underwriting and rating system.

Copies of policies and procedures regarding the use of credit information, including any specific efforts or reports to ensure compliance with 18 *Del. C.* § 8301 – 8303, were also requested.

A sample termination notification and any supplemental documentation provided at the time of termination was also provided.

New Business Policies

A listing of all new business policies issued during the examination period was provided. The following are populations and samples reviewed for each:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	4,480	115
USAA Casualty Insurance Company-Homeowners	2,102	115
USAA General Indemnity Company-PPA	8,321	116
USAA General Indemnity Company-Homeowners	3,369	115
United Services Automobile Association-PPA	3,387	115
United Services Automobile Association-Homeowners	2,568	115
Garrison P & C Insurance Company-PPA	6,490	116
Garrison P & C Insurance Company-Homeowners	1,847	114
Total	32,564	921

Random sampling was made according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify the Companies compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium generated by the Companies computer system was in accordance with their filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 10 randomly selected Private Passenger Automobile policies and 10 randomly selected Homeowners policies to be tested for rating accuracy. The Companies agreed that should there be any inconsistencies noted, additional policies would be requested for testing.

The following sections detail the Private Passenger Automobile and Homeowners findings noted during the New Business review.

Private Passenger Automobile

There were no exceptions.

Homeowners

There were no Exceptions.

Renewal Business Policies

A listing of all Renewal business policies issued during the examination period was provided. The following are populations and samples reviewed for each:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	92,714	116
USAA Casualty Insurance Company-Homeowners	21,415	116
USAA General Indemnity Company-PPA	112,158	116
USAA General Indemnity Company-Homeowners	23,252	116
United Services Automobile Association-PPA	108,075	116
United Services Automobile Association-Homeowners	37,267	116
Garrison P & C Insurance Company-PPA	55,500	116
Garrison P & C Insurance Company-Homeowners	8,873	116
Total	459,254	928

Random sampling was made according to the NAIC Market Coordinators Handbook guidelines. Random sampling was used through ACL programming. Examination of the underwriting and rating files was performed to verify the Companies compliance with Delaware Statutes and Regulations, Insurance Department Bulletins and NAIC Market Regulation Handbook Standards Chapters 16 & 17.

The rate testing consisted of manual rating to ensure the amount of premium generated by the Companies' computer system was in accordance with their filed and approved rates. This process involved the use of rating worksheets with algorithms matching the rating manuals. Due to the time-consuming nature of manually rating, the selections were reduced to 10 Private Passenger Automobile policies and 10 Homeowners policies, based on their premium amount, to be tested for rating accuracy.

The Companies agreed that should there be any inconsistencies noted, additional policies would be requested for testing.

The following section details the Private Passenger Automobile and Homeowners findings noted during the Renewal Business review.

Private Passenger Automobile

There were no exceptions.

Homeowners

There were no Exceptions.

Although there were no Private Passenger Automobile exceptions, a concern was noted over the application of the Multi-Car Discount (MCD). This MCD had an Operator-Vehicle Relationship/Operator-Youthful Relationship factor applied against it. As such, many times that resulted in a discount different than the filed MCD of the 15% and in some cases, a net surcharge was the result. Consumers with multiple cars were unaware that they may not automatically receive the 15% Multi-Car Discount. When this issue was raised, the Companies stated that the Operator-Youthful factor ceased being combined with the multi-car discount factor for New Business effective 07/22/2019, Renewal Business effective: 09/05/2019 and available effective 07/20/2019.

Terminated Policies

A listing of all policies terminated during the examination period was provided. The following are populations and samples reviewed for each:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	317	84
USAA Casualty Insurance Company-Homeowners	543	113
USAA General Indemnity Company-PPA	574	115
USAA General Indemnity Company-Homeowners	680	113
United Services Automobile Association-PPA	109	109
United Services Automobile Association-Homeowners	410	113
Garrison P & C Insurance Company-PPA	637	113
Garrison P & C Insurance Company-Homeowners	301	84
Total	3,571	844

The following sections detail the Private Passenger Automobile and Homeowners exceptions noted during the Terminated Policies review.

Private Passenger Automobile

6 Exceptions - 18 Del. C. § 3904(b)(1) & (b)(2) Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.

And

18 Del. C. § 3909(b) Automobile insurance; exclusion, cancellation or nonrenewal.

GIC failed to offer a policy to the other insured driver on the policy five times while USAA did so once.

Recommendation: It is recommended that GIC and USAA provide additional training to ensure compliance with 18 *Del. C.* § 3904(b)(1) & (b)(2) and 18 *Del. C.* § 3909(b).

1 Exception - 18 *Del. C.* § 3904(a) Cancellation or nonrenewal of automobile policy — Reasons for cancellation or nonrenewal.

And

18 *Del. C.* § 3905(c) Cancellation or nonrenewal of automobile policy — Notice of cancellation or intention not to renew; notice of reasons

GIC did not send a non-renewal letter, nor did they have a proof of mailing.

Recommendation: It is recommended that GIC provide additional training to ensure compliance with 18 *Del. C.* § 3904(a) and 18 *Del. C.* § 3905(c).

Homeowners

44 Exceptions – Forms and Rates Bulletin No. 39 - RE: Notice of Change in Department Address and Instructions on Updating Forms

20 GIC, 11 USAA, 10 CIC and three GAR Homeowners non-renewal notices did not have the correct address for the Department of Insurance, as required under Bulletin No. 39, effective 7/17/2019.

Recommendation: It is recommended that the Companies correct their Homeowner non-renewal notices to ensure compliance with Forms and Rates Bulletin No. 39.

6 Exceptions - 18 *Del. C.* § 4122 (b) Notification and reasons for declination or termination.

GIC could not provide one Homeowners cancellation notice Proof of Mailings. USAA could not provide two Proof of Mailings and for one of them, a cancellation notice could not be provided. GAR could not provide three cancellation notices.

Recommendation: It is recommended that the GIC, USAA and GAR provide additional training to ensure compliance with 18 *Del. C.* § 4122(b).

6 Exceptions - 18 *Del. C.* § 4122 (c) Notification and reasons for declination or termination.

GIC did not mail one Homeowners non-renewal notice and could not provide two Proof of Mailings. USAA could not provide one Proof of Mailing and one non-renewal did not show a specific reason. GAR could not provide one non-renewal notice Proof of Mailing.

Recommendation: It is recommended that GIC, USAA and GAR provide additional training to ensure compliance with 18 *Del. C.* § 4122(c).

2 Exceptions - Domestic/Foreign Insurers Bulletin 21-Revised

One GIC and one USAA Homeowners termination notice were missing the FAIR Plan notice, were not in 18-point type and failed to advise the insured to contact his agent.

Recommendation: It is recommended that the GIC and USAA revise their Homeowners termination notice so it advises the insured to contact his agent, or the FAIR Plan, and that all such language be in 18-point type to ensure compliance with Domestic/Foreign Insurers Bulletin 21-Revised.

Forms, Notices and Disclosures

The USAA Companies were asked to provide a list and copies of all Private Passenger Automobile and Homeowners forms approved for use in Delaware during the examination period of January 1, 2018, through December 31, 2020.

In addition, they were asked to provide copies of all Automobile and Homeowners disclosures and notices used during the examination period of January 1, 2018, through December 31, 2020.

Copies of 59 Homeowners forms, 38 Automobile forms and 22 notices and disclosures were provided.

All forms, notices and disclosures were reviewed for compliance with the Delaware Department of Insurance laws, statutes and regulations including, but not limited to 18 *Del. C.* §2304 (17). The forms, notices, and disclosures were also reviewed for compliance with the NAIC Market Regulation Handbook Standards Chapter 16.

4 Exception - 18 *Del. C.* § 2712 Filing, approval of forms

Each of the examined USAA Companies did not file for the use of the application for Homeowner, Condominium, and Townhome lines of business. While Condominium and Townhome lines were not included in this examination, this exception does apply to all Homeowner applications included in this scope. As such, this was noted for the sampled 459 for New Business applications. This is being considered an administrative error for each of the four companies examined.

During this review, it was noted that the application for Tenants & Renters, though not included in the Examination Scope, was not filed. It is recommended that the Company file this application also.

Recommendation: It is recommended that the USAA Companies file their Property Lines applications to ensure compliance with 18 *Del. C.* § 2712.

Though not exceptions, a Concern was noted and therefore, it is also recommended that the USAA Companies “HO Underwriting Property Modification” notice and “HO Underwriting Property Termination” notice be revised to show the correct address for the Delaware FAIR Plan as well as include the address for the Delaware Department of Insurance. It is also recommended that the USAA Companies include the Delaware Automobile Insurance Plan (DAIP) contact information in their automobile cancellation notices.

CLAIMS

The examination of Claims was conducted and performed to verify the USAA Companies' compliance with Delaware Statutes and Regulations, Delaware Insurance Department Bulletins and the NAIC Market Regulation Handbook Standards in Chapters 16 & 17. The USAA Companies were asked to provide a listing of all Private Passenger Automobile and Homeowners claims received during the examination period of January 1, 2018, through December 31, 2020, along with relevant copies of all claims procedure manuals and reference and training materials. Remote access to their Claims system to conduct the review was allowed.

Copies of all newsletters, bulletins and similar communications regularly sent to claims adjusters were also requested. The USAA Companies stated that there were no Delaware specific newsletters and bulletins. They added that Property & Casualty Claims sends regular communication to the claims employees regarding updates to process, regulation or statute, along with internal updates. Samples of each were requested, provided and reviewed. They were found sufficient. The USAA Companies provided sufficient proof that they are correctly reporting to their statistical agent. In addition, copies of all Delaware internal claim audit reports were also requested. The USAA Companies stated there were no Delaware specific claim audit reports and therefore, none were reviewed.

A list of all licensed adjusters and appraisers who were employees of the USAA Companies was requested and provided. There were 8,497 such adjusters and appraisers. A sample of 109 was reviewed, utilizing the verification service from the Department in coordination with the NAIC. No exceptions were noted.

A list of all 3rd party companies, or individuals used in the adjusting and handling of claims was also requested. The Company provided a nationwide list of over 5,000 such 3rd party companies or individuals which was utilized in the review of claims.

The tables below provide the by-Company populations and sample sizes.

Paid Claims

A listing of all claims paid during the examination period was provided. The following are populations and samples reviewed for each Company:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	6,783	108
USAA Casualty Insurance Company-Homeowners	758	83
USAA General Indemnity Company-PPA	8,137	108
USAA General Indemnity Company-Homeowners	937	83
United Services Automobile Association-PPA	7,443	108
United Services Automobile Association-Homeowners	1,316	105
Garrison P & C Insurance Company-PPA	4,683	108
Garrison P & C Insurance Company-Homeowners	408	83
Total	30,465	786

The following section details the Private Passenger Automobile and Homeowner exceptions noted.

Private Passenger Automobile

3 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

GIC failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in two claims while USAA failed to do so in one claim.

Recommendation: It is recommended that GIC and USAA provide additional training to ensure compliance with 18 Del. Admin. Code. § 902 1.2.1.5.

1 Exception - 18 Del. C. § 2304 (16) f. Unfair claim settlement practices

GAR failed to communicate with the insured between 10/15/18 and 1/9/19 (86 days) when the insured contacted them for the claim. They also failed to advise the insured of a rejected POA for a total loss claim.

Recommendation: It is recommended that GAR provide additional training to ensure compliance with 18 Del. C. § 2304(16) f.

Homeowners

1 Exception -18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

GIC was unable to locate and provide the settlement letter in one claim.

Recommendation: It is recommended that GIC provide additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.5.

Closed Without Payment (CWP) Claims

A listing of all claims closed without payment during the examination period was provided. The following are populations and samples reviewed for each Company:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	1,805	107
USAA Casualty Insurance Company-Homeowners	454	83
USAA General Indemnity Company-PPA	1,430	107
USAA General Indemnity Company-Homeowners	565	105
United Services Automobile Association-PPA	1,278	107
United Services Automobile Association-Homeowners	745	105
Garrison P & C Insurance Company-PPA	1,577	107
Garrison P & C Insurance Company-Homeowners	250	52
Total	8,104	773

The following section details the Private Passenger Automobile and Homeowner exceptions noted during the CWP claims review.

Private Passenger Automobile

14 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

GIC failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in six claims while USAA failed to do so in eight claims.

Recommendation: It is recommended that GIC and USAA provide additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.5.

2 Exceptions - 18 Del. C. § 2304 (16) f. Unfair claim settlement practices

GIC failed to investigate one claim properly and closed it prematurely. USAA failed to investigate one claim properly and erroneously set up the claim under Collision Coverage with its \$200 deductible instead of Comprehensive with its \$50 deductible. The letter to insured said the claim was less than the \$200 Collision deductible so there would be no payment. However, the correct deductible was the \$50 Comprehensive deductible, so a payment should have been made.

Recommendation: It is recommended that the GIC and USAA provide additional training to ensure compliance with 18 Del. C. § 2304(16) f.

Homeowners

2 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

USAA failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in one claim and GAR was unable to locate and provide the settlement letter in one claim.

Recommendation: It is recommended that USAA and GAR provide additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.5.

Denied Claims

A listing of all claims denied during the examination period was provided. The following are populations and samples reviewed for each:

Company Name	Population	Sample
USAA Casualty Insurance Company-PPA	40	37
USAA Casualty Insurance Company-Homeowners	62	62
USAA General Indemnity Company-PPA	66	66
USAA General Indemnity Company-Homeowners	51	51
United Services Automobile Association-PPA	40	40
United Services Automobile Association-Homeowners	107	76
Garrison P & C Insurance Company-PPA	57	57
Garrison P & C Insurance Company-Homeowners	25	25
Total	448	414

The following section details the Private Passenger Automobile and Homeowner exceptions noted during the denied claims review.

Private Passenger Automobile

4 Exceptions - 18 Del. Admin. Code § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

Both GIC and USAA failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in two claims.

Recommendation: It is recommended that GIC and USAA provide additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.5.

12 Exceptions - 18 Del. C. § 2304 (16) f. Unfair claim settlement practices

All four Companies used lack of information from their named insured as the reason to deny 3rd party liability claims. CIC did so in three claims, GIC in three, USAA in four, and GAR in two.

Recommendation: It is recommended that the Companies provide additional training to ensure compliance with 18 Del. C. § 2304(16) f. and Auto Bulletin No. 24.

1 Exception - 18 Del. C. §2304 (16) n. Unfair claim settlement practices

GAR failed to advise the claimant or the person presenting the claim in writing of the disposition or to provide a denial notice in one claim.

Recommendation: It is recommended that GAR provide additional training to ensure compliance with 18 Del. C. § 2304 (16) n.

Homeowners

1 Exception - 18 Del. Admin. Code § 902 1.2.1.1 Prohibited Unfair Claim Settlement Practices

GAR properly denied this claim since the personal property was damaged by the moving company. The insured also stated an item stolen. The Company did not advise the insured that there was coverage for theft up to \$1,000 per Coverage C, property covered anywhere in the world in transit.

Recommendation: It is recommended that GAR provide additional training to ensure compliance with 18 *Del. Admin. Code* § 902 1.2.1.1.

2 Exceptions - 18 *Del. Admin. Code* § 902 1.2.1.5 Prohibited Unfair Claim Settlement Practices

GIC failed to affirm or deny coverage within 30 days or provide a written reason for the inability to do so in two claims.

Recommendation: It is recommended that GIC provide additional training to ensure compliance with 18 *Del. Admin. Code* § 902 1.2.1.5.

1 Exception - 18 *Del. Admin. Code* § 902 1.2.1.6 Prohibited Unfair Claim Settlement Practices

CIC failed to properly investigate coverage for damages to the insured's basement and personal property in a water/sewer back-up claim.

Recommendation: It is recommended that CIC provide additional training to ensure compliance with 18 *Del. Admin. Code* § 902 1.2.1.6.

1 Exception - 18 *Del. C.* §2304 (16) n. Unfair claim settlement practices

GIC had one claim in which the file did not have a copy of the denial notice or evidence that the claimant was told of the denial.

Recommendation: It is recommended that GIC provide additional training to ensure compliance with 18 *Del. C.* § 2304 (16) n.

Although not an exception, a Concern was noted that the 3rd party adjuster's estimate with the USAA logo states that the insured should provide receipts for replacement cost reimbursement. The language on the estimate does not inform the insured of the policy restriction of replacement within one year from the date of loss (HO-9R-02, Section Loss Settlement- (1)). It is recommended that any 3rd party estimates be revised to clarify the language.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the Exceptions and findings noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that GIC and USAA provide additional training to ensure compliance with 18 Del. C. § 3904(b)(1) & (b)(2) and 18 Del. C. § 3909(b). (Underwriting and Rating)
2. It is recommended that GIC provides additional training to ensure compliance with 18 Del. C. § 3904(a) and 18 Del. C. § 3905(c). (Underwriting and Rating)
3. It is recommended that the Companies correct their Homeowner non-renewal notices to ensure compliance with Forms and Rates Bulletin No. 39. (Underwriting and Rating)
4. It is recommended that GIC, USAA and GAR provide additional training to ensure compliance with 18 Del. C. § 4122(b). (Underwriting and Rating)
5. It is recommended that GIC, USAA and GAR provide additional training to ensure compliance with 18 Del. C. § 4122(c). (Underwriting and Rating)
6. It is recommended that the Companies revise their Homeowners termination notice so it advises the insured to contact his agent, or the FAIR Plan, and that all such language be in in 18-point type to ensure compliance with Domestic/Foreign Insurers Bulletin 21-Revised. (Underwriting and Rating)
7. It is recommended that the Companies file their Property Lines applications to ensure compliance with 18 *Del. C.* § 2712. (Underwriting and Rating)
8. It is recommended that GIC, USAA and GAR provide additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.5. (Claims)
9. It is recommended that the Companies provide additional training to ensure compliance with 18 Del. C. § 2304(16) f. and Auto Bulletin #24. (Claims)
10. It is recommended that GIC and GAR provide additional training to ensure compliance with 18 Del. C. § 2304 (16) n. (Claims)
11. It is recommended that GAR provides additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.1. (Claims)
12. It is recommended that CIC provides additional training to ensure compliance with 18 Del. Admin. Code § 902 1.2.1.6. (Claims)

Delaware Market Conduct Examination Report
USAA Companies

The examination conducted by Ray Hartsfield, Joe Krug, Mark Plesha, Karen Gerber, Steve Misenheimer, Pete Salvatore and Jack Rucidlo is respectfully submitted.



Mark Plesha, CPCU, AIE, MCM, CWCP,
AIS, IR
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Mark Plesha, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority 25968-21-707, 18600-21-708, 25941-21-709 and 21253-21-710.



Mark Plesha, CPCU, AIE, MCM, CWCP,
AIS, IR
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